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Better Marketing



Division of Marketing and Marketing Agreements

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DRY SKIM-MILK INDUSTRY GAINS UNDER AGREEMENT

**Higher Level of Prices and Improved
Marketing Conditions Bring About
Record Increase in Value**

The wholesale value of dry skim milk manufactured in 1936 promises to be considerably larger than in any previous year. Wholesale prices have been higher during the first half of 1936 than in any previous year since 1929. They were more than double the low price of 3.87 cents per pound in 1932, and current prices indicate a higher level during the last half of 1936 than prevailed during the first half. Production is expected to be somewhat less than in recent years but, nevertheless, above predepression years, according to the Dairy Section.

The wholesale value of dry skim milk manufactured during the first half of 1936 is estimated to be \$14,760,000, compared with \$11,057,000 during the same period of 1935—an increase of 33 percent. The previous peak for an entire year is only \$16,517,000, for 1930. Since then the annual value of this product has fluctuated from \$10,457,000 in 1932 to \$15,838,000 in 1934.

Prices Show Gain

Changes in the annual value of dry skim milk produced during the depression has resulted mainly from changes in price. Production has remained relatively constant, fluctuating from 260,675,000 pounds in 1930 to 294,935,000 pounds in 1934. Prices, on the other hand, declined from 8.02 cents per pound in 1929 to 3.87 cents per pound in 1932 and then rose steadily to 5.91 cents in 1935 and 8.25 cents per pound in July 1936.

The increase in prices of dry skim milk since 1932 has, of course, resulted from a number of causes. The marked improvement in business conditions during this period has not only increased the demand for dry skim milk but has also increased the demand for fresh whole milk from areas in which most of the drying plants are located. The supply of milk available for drying in the vicinity of drying plants has consequently been reduced. The droughts in 1934 and 1936 have also tended to reduce the supply of milk available for drying.

Marketing Agreement Factor

Commercial market supplies have also been reduced by Government purchases of more than 17,000,000 pounds of dry skim milk since 1933 for distribution to families on relief.

A marketing agreement for the dry skim milk industry has been in effect since September 16, 1933. This agreement provides that the manufacturers

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Order For Dubuque Milk Market Replaces Program Under License

A marketing program for milk in the Dubuque, Iowa, area became effective October 1 under an order issued by the Secretary of Agriculture. The new program replaces a similar program in effect for nearly 2 years under the provisions of a license.

The order, applicable to handlers of milk in that marketing area, is designed to continue the improvements in milk-marketing conditions and returns to producers which have been attained under the license. The program under the order was considered at public hearings held at Dubuque last July.

Principal provisions of the order govern the classification of milk into three classes according to use by handlers; the establishment of minimum prices which handlers are required to pay producers for milk in each classification; and the proration to producers of the proceeds of sales to handlers through individual handler pools instead of through a market-wide pool under the license. The program continues to be administered by a market administrator whose powers and duties are defined in the order.

Prices established in the order are \$1.90 per hundredweight for class 1 milk, \$1.80 per hundredweight for class 2 milk, and 3.5 times the price of 92-score butter at Chicago, plus 15 cents, for class 3 milk.

CAULIFLOWER MARKETING PROGRAM AIDS INDUSTRY

**Losses to Colorado Growers Averted
Through Adjusting Shipments and
Relief Purchases**

Growers and shippers of Colorado cauliflower are well satisfied with the operations of the marketing-agreement program for this year's cauliflower crop, under which it was possible for the industry to adjust shipments to market throughout a season of adverse conditions with loadings higher than usual and consumption below normal because of exceedingly hot weather, reports received by the General Crops Section indicate.

Dry weather at planting time, which delayed the early crop of Colorado cauliflower, and excessive rains near the maturity period seemed to cause both early and late plantings to be ready for harvest at the same time. In 1935, when 27 cars of cauliflower were loaded in Colorado in a single day, growers and shippers were greatly alarmed over the effect of such excessive loadings, and yet in 1936, with a marketing-agreement program in effect, there were loadings in the same area

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RAISIN GROWERS HELPED BY DIVERSION PROGRAM

**Improved Market Resulted From Re-
moval of Low-Grade Raisins and
Their Use for Byproducts**

An industry-wide program which diverted low-grade California raisins into byproduct uses served to strengthen the market for growers and is reported by the industry to have added at least \$250,000 to last season's income of raisin producers, according to the General Crops Section.

Operating under an agreement between the industry-organized California Raisin Products Association and the Secretary of Agriculture, the diversion program also was effective in removing from the market over 7,000 tons of raisins which, if carried over into the new year, would have acted as a depressing factor on the price of new-crop standard quality raisins.

Large quantities of substandard raisins were produced in 1935, due primarily to a combination of a late growing season which delayed the harvesting of raisin grapes and unseasonable rains at the time the grapes were being dried on the trays. The principal damage to the raisins consisted of mold, rot, and embedded sand.

This large tonnage of low-quality raisins was a depressing factor on prices of standard-quality raisins. The industry was also concerned over the ultimate effect which the marketing of these substandard raisins in normal trade channels might have on future consumption of raisins by reason of their inclusion in the standard packs.

Provisions of Agreement

These factors were responsible for a request last November to the Agricultural Adjustment Administration for financial assistance under section 32 of the amendments to the Agricultural Adjustment Act, approved August 1935, to enable the industry to divert low-quality raisins into byproduct uses. After careful consideration the program was tentatively approved by the Secretary of Agriculture.

A nonprofit corporation, known as the California Raisin Products Association, was organized for the purpose of administering the raisin diversion program with the board of directors consisting of four representatives of independent growers, two representatives of growers' co-operatives, and one representative of processors.

Last April the association entered into an agreement with the Secretary of Agriculture which provided for the purchase and sale by the association of substand

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JESSE W. TAPP, *Director*

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NATHAN KOENIG, *Editor, BETTER MARKETING*

DRY SKIM-MILK INDUSTRY

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file with the Secretary of Agriculture and the managing agent of the agreement their selling prices of dry skim milk according to grades, brands, quantities, and sales areas. Monthly reports showing volumes of production, purchases, sales, and stocks of dry skim milk are made to the managing agent. The agreement, also, contains a number of provisions designed to prevent undesirable trade practices, and it is thought that the improved marketing conditions under the operation of this agreement have contributed to the above increase in prices.

The effect of these higher wholesale prices for dry skim milk on farm incomes cannot be determined exactly. Skim milk is a byproduct. It is not usually sold separately from the cream. The increased demand for skim milk would, therefore, naturally be reflected in the price of whole milk. Nearly half of the dry skim milk produced in the United States is manufactured by cooperative farmer organizations.

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47 cars in a single day with shipments on preceding and following days well above those in former years.

As soon as shipments began to increase to the danger point the control committee recommended that the Secretary of Agriculture issue under the agreement program a grade and size regulation that would prohibit shipment of any cauliflower of a grade lower than U. S. No. 1 and of sizes other than 11's and 12's fairly tight to tight pack, well trimmed, and fairly uniform to uniform. This regulation improved the quality of the pack by prohibiting the movement of lower grades.

As the price to growers descended to a level of 15 to 20 cents per crate, the Federal Surplus Commodities Corporation agreed to take all cauliflower offered by shippers during a 3-day period. This immediately had a strengthening influence on the market and returned growers' prices to a 30-cent minimum.

As the crop increased it was found that additional restrictions on shipments would be required, consequently the control committee requested the approval of a regulation that would limit shipments to 15 cars daily for a 2-day period to be

followed by a 2-day loading holiday, each shipper being privileged to ship during the holiday those cars loaded and prohibited from shipment during the period when shipment was limited to 15 cars daily. Following the loading holiday occasional purchases were made by the Federal Surplus Commodities Corporation whenever the market became sluggish from heavy track holdings.

Later, as shipments decreased and cooler weather stimulated consumer demand, the grade and size regulation was amended to permit shipment of sizes 10 and 13 in addition to 11 and 12.

RATING PLAN USED IN LEADING MILK MARKETS

Provides for Method of Prorating to Producers Returns From Sales to Handlers

The rating plan, as a mechanism for the equitable prorating to milk producers the proceeds of their sales to handlers, is used in many of the milk-marketing programs in effect under the Agricultural Adjustment Act and in many fluid-milk markets which do not have Federal programs in operation.

The Agricultural Adjustment Act, amended August 1935, provides for classifying milk according to its use, and fixing uniform minimum prices to be paid by handlers for each classification subject to certain specified adjustments.

Several methods of prorating to producers the proceeds of sales to handlers are specified in the act, these being the payment of (1) uniform prices to producers and selling milk to the same handler, that is, the individual handler pool, and (2) uniform prices to producers for milk, irrespective of the uses made of the milk by the particular handler to whom the producer delivered his milk, that is, the market-wide pool. In markets operating under a market-wide pool producers may receive a weighted average price for all milk delivered, or the total value of the milk in the pool may be apportioned among producers on the basis of their production during a representative period of time, that is, the rating plan.

Rating Plan in Orders

The rating plan differs from the classified-price plan in that the classified-price plan is a method of selling milk to handlers, while, as was pointed out above, the rating plan is primarily a plan of prorating to producers the proceeds of sales to handlers. However, in some markets the rating plan has been used in the past in such a manner that it operated practically as a classified-price plan as well, this being accomplished by shifting producers among handlers so that the ratings or bases of producers delivering to the handlers closely approximated the handlers' sales of fluid milk. Milk orders issued by the Secretary of Agriculture provide for the use of the rating plan in those markets in which it is deemed advisable to include the plan in the provisions of the order.

The rating plan is a commonly accepted market mechanism, as evidenced by the large number of milk markets

Licenses For Milk Distributors In Three Markets Are Terminated

Termination of licenses for milk distributors in three marketing areas has been announced by the Agricultural Adjustment Administration. These include the licenses for the Phoenix, Ariz., Dubuque, Iowa, and Tucson, Ariz., marketing areas.

The license for the Dubuque milk market was terminated as of September 30, and the program under the license has been replaced with a similar program under an order for handlers of milk which became effective October 1. The Dubuque area has had a milk-marketing program in operation since the license went into effect December 1934.

The Phoenix milk license, effective since November 1934, was terminated as of September 30. The license for the Tucson milk marketing area went into effect April 1935, and its termination became effective October 1.

RAISIN GROWERS HELPED

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and raisins of the 1935 production in California. The Secretary agreed to make payments from funds available under section 32 of the amount by which the purchase price of the raisins exceeded the sales price. The agreement provided that any lot of raisins sold by the association must be sold for conversion into byproducts such as alcohol, brandy, and stock feed.

The association started writing purchase contracts on May 7. Between May 7 and June 3, 594 contracts were signed with growers, totaling an estimated 6,648 tons, and 13 contracts were signed with packers for 494 tons of raisins. All grower deliveries were completed by June 15 and all sales for diversion into byproduct uses were completed by July 1.

wherein the proceeds of sales of milk to distributors are prorated to producers through this plan.

Used Long Time

Available information indicates that the rating plan was started in Baltimore in 1918. Since that time the plan has been instituted in a large number of important milk markets and has come to be recognized as an equitable method of prorating to producers the proceeds of sales to distributors.

The number of markets operating under rating plans apparently increased from 1 in 1918 to 27 in 1933, and to 34 in 1934.

During the period February 1934 to February 1935 the Secretary of Agriculture issued approximately 50 milk licenses for principal milk markets of the country. Rating plans were included in 38 of these milk licenses, and 34 of these milk markets had operated a rating plan prior to the effective date of the license. These data indicate the importance of this method of prorating returns to producers in fluid milk markets. Also, there are other fluid milk markets in this country, not operating under Federal milk licenses or orders, that use the rating plan as a method of prorating returns to producers.

DEL-MAR-VA AREA LEADS COMMERCIAL BROILER PRODUCTION, POULTRY SECTION STUDY FINDS

The marketing of surplus cockerels from farms and commercial egg plants as broilers during the spring and summer months dates back to the early days of American agriculture. The production and marketing of pullets and cockerels as broilers from specialized commercial broiler plants during the late fall, winter, and early spring months is, however, a comparatively recent development.

The most concentrated area of this rapidly growing branch of the poultry industry is located in the two southern counties of Delaware, four or five counties adjacent thereto on the eastern shore of Maryland, and Accomac County in Virginia, immediately south of these counties. It has been estimated that approximately 66 percent of the total number of broilers produced commercially in the United States are raised in this Del-Mar-Va section by from 1,200 to 1,500 producers.

As is true with most producers of food products, commercial broiler growers have good and bad years. In order to find out how to make the good years more frequent and the lean ones less so, the leaders of the industry called upon the Poultry Section of the Agricultural Adjustment Administration to conduct an economic survey of the production and marketing aspects of this business.

Scope of Industry

This survey, conducted in cooperation with the State colleges and State departments of markets of Maryland, Delaware, and Virginia, brought out many interesting facts.

The growth of the broiler industry in the Del-Mar-Va area has been most rapid since 1925. In that year the average number of broilers grown per producer was 3,154; in 1935 the average number grown was 10,168. The size of broiler plants in this area varies from a capacity of 500 birds to 120,000 birds. The average capacity of 130 plants contacted was 8,771 birds.

Over half of the broiler plants included in this study reported that broiler production ranked first as their source of income. For the season 1935-36, January was the peak month for the number of chicks started for broiler purposes, with November ranking second and February third. About 98 percent of the producers contacted through the survey bought hatchery chicks, and 2 percent did their own hatching. The largest volume of chicks was supplied by Maryland hatcheries, with Connecticut hatcheries second and Delaware third. The two varieties of chickens raised for broiler purposes are Barred Plymouth Rocks and a cross between the Barred Plymouth Rock male and Rhode Island Red or Hampshire Red female.

An analysis of chick prices by months beginning with August 1934 showed the average price per hundred to be \$8.23, with a gradual increase to \$10.64 in December, after which prices gradually decreased each month with the exception of April, May, and July.

For the area as a whole, chick mortality averaged 5.3 percent during the first 2 weeks and 9.8 percent after the first 2 weeks to marketing age.

Credit plays a very important part in the production aspects of this industry. It was found that 45 percent of the growers contacted used credit to purchase chicks, 68 percent to buy feed, 13 percent to purchase brooding equipment, 46 percent to purchase fuel, and 15 percent to buy lumber and other building materials.

Cost Factors

Feed cost is the most important single item of expense. In a survey made by the University of Maryland, embracing 109 broiler plants in that State, feed costs amounted to 56.7 percent of the total production costs. The cost of chicks on these 109 plants amounted to 23.7 percent of the total production costs. Labor costs amounted to 8.2 percent of the total cost, and miscellaneous out-of-pocket costs, including fuel, light, water, and disinfectants, amounted to 5.5 percent of the total costs. Total out-of-pocket costs on these farms was 94.1 percent, and overhead costs 5.9.

The survey revealed that 83 percent of the broilers in this area were sold to local buyers, who in turn hauled them by truck usually to the New York and Philadelphia markets. The remaining 17 percent were sold direct by producers to receivers in the following markets: Washington, 11 percent; Philadelphia, 2.9 percent; Baltimore, 2.6 percent; New York, 0.8 percent; and Wilmington, 0.1 percent. Practically all the broilers bought by local buyers are purchased outright on the basis of from 3 to 5 cents per pound below the New York market quotation.

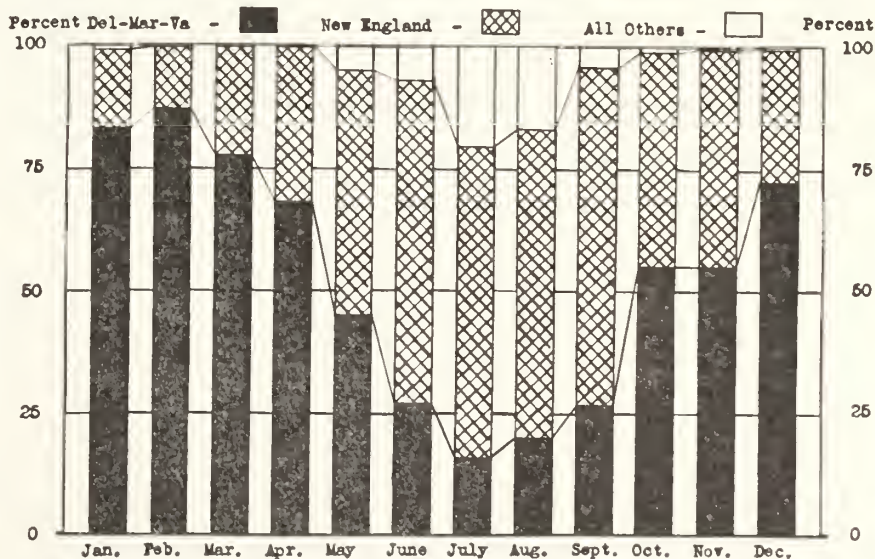
Markets and Prices

Data on receipts of live broilers at New York from June 1, 1934, to May 31, 1935, show receipts from the Delaware area, including the nearby Maryland and Virginia counties, at 8,637,000 pounds; Massachusetts, 2,599,000; and Connecticut, 2,580,000 pounds. In terms of volume received at New York City, the New England and Del-Mar-Va areas were practically of equal importance as shipping areas. The heaviest receipts of Del-Mar-Va broilers at New York were during February, March, December, and April. Receipts from New England were highest during February, June, July, and August, and were spread more evenly over the year than receipts from Del-Mar-Va. Receipts by freight at New York for the year 1935 from 25 States were 1,420,769 pounds as compared to 19,342,750 by express and truck, from 16 States.

Broiler prices since 1921 have been declining rapidly year by year in relation to prices of other poultry. In early years broiler prices at New York City during certain periods were at least twice as high as fowl prices. In 1935 and

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DEL-MAR-VA SUPPLIES MOST OF NEW YORK'S BROILERS



Total receipts of live broilers at New York City during the last year are shown in the above graph. With the exception of receipts during the summer months, practically all of the live broilers are shipped into that market from the Del-Mar-Va and New England producing areas. The heaviest receipts from the Del-Mar-Va area arrive during the winter and early spring and late fall months. New England supplies the bulk of the live broilers during the summer months.

GOVERNMENT BUYING OF SURPLUS FARM PRODUCTS SERVES TWOFOLD PURPOSE; HELPS PREVENT WASTE

Surplus agricultural commodities acquired by the Federal Surplus Commodities Corporation from October 1, 1935, to September 19 of this year are estimated to have cost approximately \$13,900,000, according to figures supplied by the Commodities Purchase Section.

The commodities were obtained in connection with programs designed to improve marketing conditions and returns to producers by removing price-depressing surpluses and making the products available for distribution by the States to the needy and unemployed. In many instances the purchase programs assisted in preventing waste of food supplies and supplemented efforts which handlers and growers were making to improve marketing conditions under marketing-agreement programs.

A wide range of surplus products, including fruits, vegetables, grains and cereals, eggs, dairy products, and cotton goods were bought. The commodities were obtained from practically every major producing area of the country and quantities distributed for relief use in all of the States. It is estimated that approximately 2,500,000,000 pounds of surplus farm products have been made available for relief distribution during the last 3½ years in which the Corporation has operated.

Kinds of Products

The bulk of the purchases from October 1, 1935, to September 19, 1936, consisted of surplus fruits and vegetables which were having a depressing effect on producers' prices. Dairy products ranked next in importance.

By commodities, the purchases of fruits included 2,663,028 bushels of apples, 229,792 boxes of citrus fruit, 164,164 boxes and 12,970 baskets of pears, 28,935,575 pounds of dried prunes, 600,000 pounds of figs, 29,768 dozen no. 5 cans and 1,665 dozen no. 3 cans of grape jam, and 30,000 no. 10 cans of cherries.

The purchases of vegetables included 8,747,959 pounds of cabbage, 2,637,900 pounds of carrots, 11,670 crates of cauliflower, 32,755,028 pounds of onions, 182,300 pounds of turnips, 1,853,572 pounds of fresh peas, 16,326,220 pounds of dried beans, 19,372,695 pounds of dried peas, and 4,201,306 pounds of potatoes.

Dairy products bought during this period for the purpose of improving farmers' markets and for relief distribution included 4,119,833 pounds of butter, 3,952,931 pounds of dry skim milk, 358,400 cases of evaporated milk, and 1,074,031 pounds of cheese. These purchases of dairy products represent a continuation of the purchase program inaugurated in the summer of 1933. The dairy products were bought with funds made available for that purpose under the provisions of the Jones-Connally Act, as amended. Since buying of surplus dairy products started, approximately 72,000,000 pounds of butter, 19,000,000 pounds of cheese, 17,400,000 pounds of dry skim milk, 53,200,000 pounds of evaporated milk have been bought with funds made available to the Agricultural Adjustment Administration.

Other Commodities

During the period from October 1, 1935, to September 19, 1936, a total of 3,048,279 bushels of wheat were acquired by the Federal Surplus Commodities Corporation and milled into flour for relief use. The byproducts from the milling of this wheat were distributed in recent months to needy farmers for livestock feeding in drought-stricken and flooded areas. In addition to the wheat, the Corporation acquired for relief use 4,201,306 pounds of enriched oat cereal and 15,912,866 pounds of rolled oats.

Included in the purchases of foodstuffs were a total of 2,964 cattle which were forced on markets by severe drought conditions this summer. These animals were processed and distributed to the needy and unemployed as dressed beef.

Purchases of cotton during this period included 50,000 bales of raw cotton and 89,535 cotton mats and 2,891,439 yards of cotton fabric which were used by the States in connection with the Agricultural Adjustment Administration's experimental road-building project which seeks to find new uses for cotton. In addition, 4,750,000 yards of cotton ticking were obtained.

Last spring, during the flush of egg production, a total of 944,280 dozens of eggs were bought as a means of improving prices to poultrymen. These eggs were distributed for relief use in the cities.

Purchases of miscellaneous products during this period included 2,500,000 pounds of sugar, 192,672 gallons of sirup, and 2,040 pounds of honey.

Method of Operation

The program for removing price-depressing surplus agricultural products from normal channels of trade and making them available for relief distribution was first inaugurated during the latter half of 1933. During the 1934 drought this program was coordinated with certain drought-relief activities. The same was done during this year's drought.

The Federal Surplus Commodities Corporation provides the means for effective utilization of funds appropriated under the Jones-Connally Act and the LaFollette amendments for the purchase of surplus dairy products; and such other funds as may now be available, or as may become available under section 32 of the amendments to the Agricultural Adjustment Act, approved in August of 1935, to the corporation or the Agricultural Adjustment Administration to be used in removing surpluses and in encouraging domestic consumption of agricultural products.

The Commodities Purchase Section of the Agricultural Adjustment Administration is in charge of actual purchase operations of surplus farm products. The Federal Surplus Commodities Corporation arranges with accredited relief and welfare agencies in the States for the distribution of all commodities brought to the needy persons in the care of these agencies. Distribution is made on such a basis as will not interfere with regular commercial purchases of these agencies.

Important Dairy States Make Most Gain in Producers' Cash Income

While cash farm income from dairy production for the country as a whole in 1935 was 24 percent higher than that of 1932, figures compiled by the Dairy Section show that some of the greatest gains in producers' incomes were made in the more important milk-producing States.

In 1935 cash farm income from dairy production for the country totaled \$1,292,113,000, compared with \$985,099,000 in 1932, an increase of 24 percent. This compares with \$1,847,233,000 for 1929. From that year to 1932, cash farm income from dairy production dropped 46 percent.

A comparison of the Nation's dairy income figures with those for Wisconsin, one of the most important producers of manufactured dairy products, shows that cash income of milk producers in that State dropped 58 percent from 1929 to 1932, from \$217,940,000 to a low point of \$93,573,000. Since 1932 income has increased. In 1935 the cash income of Wisconsin farmers from dairy production was \$131,916,000, a gain of 30 percent from the 1932 low.

Figures for Vermont, an important fluid-milk-producing State, show that farm cash income from milk production declined 43 percent from \$31,842,000 in 1929 to \$18,205,000 in 1933, the low point of the depression period. In 1935 it was up to \$24,663,000, an increase of 35 percent from the depression low.

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also in 1936 broilers were only slightly higher than fowl prices. This changing relationship between broiler and fowl prices has in all probability been due to a large increase in the production of commercial broilers.

In New York live broilers are consumed principally in the home. In other markets the consumption in hotels and restaurants constitutes an important outlet. This difference in New York exists because that market lacks killing or dressing facilities to serve this type of trade and because of the competitive price advantage enjoyed in New York by dressed poultry. Other markets having dressing facilities to supply the hotel and restaurant trade can evidently successfully compete in price.

The practice in New York of retaining live poultry with feathers on makes this poultry unattractive to the consumer. Consumption might be increased if the carcasses were more attractive and appetizing in appearance and the retail stores more sanitary.

The bulk of the fruits and vegetables, and all of the eggs, wheat, cattle, and cotton and cotton products bought by the Commodities Purchase Section since last October were purchased with funds made available under the provisions of section 32. This section makes available to the Secretary of Agriculture an amount equivalent to 30 percent of annual customs receipts for uses which include encouraging domestic consumption, encouraging new markets and new uses for farm products.